



**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
PATENT EXAMINING DIVISION**

Applicant:	Saigh <i>et al.</i>	Docket Ref.:	AUTOCART
Serial No.:	10/807,496		
Filing Date:	March 23, 2004	Group Art Unit:	3653
Title:	SYSTEM, METHOD AND PROCESS FOR ORDER AND DELIVERY OF CLASSIFIED GOODS AND SERVICES THOROUGH AN AMALGAMATED DRIVE-THRU COMPLEX	Examiner:	Jeffrey A. Shapiro

**SAIGH AFFIDAVIT PURSUANT TO 37 C.F.R. § 1.132**

I, Michael M. Saigh, declare that I am a resident of Doña Ana County, New Mexico. Based upon my personal knowledge, I would competently testify to the truth of the following:

1. I am the Managing Member of Autocart Licensing LLC ("Autocart"). Autocart is the owner of the above-titled pending patent application. Autocart also owns a division known by the trade name of "AutoTram". AutoTram is an approved licensee of the above-titled patent application.
2. The Oxford Institute of Retail Management is a branch of the prestigious Oxford Said Business School located in Oxford, United Kingdom. The Oxford Institute of Retail Management was established in 1985 and has worked for over 20 years to relate sound scholarship to the practical needs of retailers, service companies and public sector agencies. The Institute's teaching and research is undertaken at national, European and global scales. See <http://www.sbs.ox.ac.uk/oxirm/About.htm>.
3. The Oxford Institute of Retail Management has no financial interest in either Autocart, AutoTram or the present patent application.
4. In Autumn, 2007, the Oxford Institute of Retail Management published a feature article in its European Retail Digest (Issue 55, attached to this Affidavit as Attachment 1) praising the benefits of the technology covered by the present application. The Retail Digest is the flagship publication of Oxford University, and has (since 1993) provided retail practitioners, analysts and academics with worldwide perspectives and authoritative insights into the global retail industry. See <http://www.sbs.ox.ac.uk/oxirm/The+Retail+Digest.htm>. The feature article in the Retail Digest was titled "New Formats from New Retailers: Breakthrough Concepts from the US". In this article, the Oxford Institute of Retail Management lauded the technology covered by the present application, stating, for example,:
  - i) that AutoTram is "venturing into new formats in greater numbers than ever, developing new

footprints to serve the specific needs of specific customers by applying “fresh, new perspectives to established businesses, from banking to fashion, allowing them to market in new and interesting ways.” *Id.*, Col. 1, p. 1.

- ii) that AutoTram is a “best-in-class” retailer who has developed “new models for self-service, experimented with new, customer-facing technologies, and leveraged the recreation aspects of shopping.” *Id.*
- iii) that “Convenience retailing will become a significant force in the future as small gets big, and conventional convenience store operators will need to adapt and take advantage of this growing trend. These radical new innovations to make the shopping trip truly convenient mean that AutoTram is posed to change the way people think about buying groceries.” *Id.*, p. 2, Cols. 2 – 3.
- iv) that “To stay competitive, retailers must find new ways of reaching and engaging their customers. Towards that end, a small band of forward-thinking, new retailers have created innovative stores that capture the imagination and the loyalty of their shoppers. [AutoTram] reintroduce[s] simplicity and convenience into their shoppers’ lives[.] By addressing the specific needs of their specific customers, these six companies set new standards in customer-relevant innovation.” *Id.*, p. 25, Col. 2.

The creation of the “New Formats from New Retailers: Breakthrough Concepts from the US” article was not solicited by Autocart LLC, Autocart Licensing LLC, AutoTram, or anyone employed by these companies. Thus, it was an unsolicited article.

- 5. I have reviewed U.S. Patent No. 5,890,136 to Kipp *et al.* (the “Kipp patent”), titled “Quick Stop Mass Retail System” and I understand what the Kipp patent discloses.
- 6. I also reviewed the December 9, 2008 Advisory Action. In this Advisory Action, I understand that the Patent Office has rejected numerous claims under 35 U.S.C. § 103 as being obvious primarily in light of the Kipp patent. In this Advisory Action, the Patent Office asserts that the Kipp patent discloses several features which are found in the Saigh application.
- 7. After careful review of the Kipp patent, I have made the following opinions.
  - i) Kipp is limited to two article pickup areas only. Ref.(Fig. 1#14) and (Fig. 5 #14, #44). It is my opinion that a high volume grocery drive-thru could not be configured to supply the needs of consumable goods and services. The Kipp patent could not provide the means of supplying the drive-thru traffic of a grocery store notwithstanding adding the additional traffic requirements of a restaurant, dry cleaners, bank and other goods and services required to be considered a one stop, “Quick Stop Mass Retail System”.
  - ii) The Kipp patent only accommodates online pre-orders. Pre-orders, however, can’t accommodate immediate need requirement, impulse orders and orders that are service oriented. In fact, service based items are not at all mentioned in the Kipp patent.

- iii) The Kipp patent makes no reference or description or teaching that the term “articles” refers or is defined to include any type of services. (Column 4, Line 52-54) refers to ‘articles’, however articles are by definition not considered services. Direct consumption services; deli, hot grill and other freshly prepared restaurant services are not mentioned by the Kipp patent. Services, including but not limited to, pharmaceutical, dry cleaning, lotto, desserts, banking, coffee shops, and fountain beverages are not mentioned at all in the Kipp patent. One familiar with the art cannot possibly conclude that services are not intricately linked to a convenience center, convenience store, supercenter, grocery center and other consumable goods retail centers. Thus, the Kipp patent has no teaching of providing services or perishable goods.
  - iv) The Kipp patent makes no mention of retention of compartmentalizing “articles” in a controlled environment. If the Kipp patent were broad enough to encompass all grocery items commonly provided in a high-volume setting (including other perishable goods), he would have stated that fact in his patent when he described “article release mechanisms” (Column 6, Lines, 6-9). Kipp’s lack of describing temperature controlled environment, in my opinion, is conclusive proof that he never intended to provide any perishable goods and services.
8. Autocart is also the owner, by assignment recorded at Reel/Frame 016016/0143, of U.S. Patent Registration No. 5,904,985 to Domain (the “Domain patent”). I am one of the co-inventors identified in the Domain patent. As such, I am intimately familiar with the technology, state of the art and the teachings found in the Domain patent. In the Advisory Action, I understand that the Patent Office has rejected numerous claims under 35 U.S.C. § 103 as being obvious over the Kipp patent in view of the Domain patent. I disagree with this analysis for the following reasons:
- i) For example, (Domain patent, Column 3, Line 50-54) describes the order clerks viewing the vehicle routing lanes beneath the facility. The impracticality of two story construction (e.g., cost of construction, cost of maintenance, etc.) and viewing routing lanes to control traffic is an absolute non-obvious distinction. The current application does not rely on order clerks routing based on vehicle “viewing”.
  - ii) For example, (*Id.*, Column 4, Lines 3-6) describes a two story structure that houses several vendors. The current Saigh application is not based on a two story structural base configuration and not based on individual vendors occupying space on the second floor. The current application is NAICS based and each SKU’s holding space is based on delivery efficiency not SKU ownership. Thus, SKU placement and storage in the current application is based on speed of delivery.
  - iii) For example, (*Id.*, Column 7, Lines 9-19) describes each vendor receiving a printout of the order for fulfillment by human intervention. The present patent application, in contrast, relies on computer control to fulfill the order process.
  - iv) For example, (*Id.*, Column 7, Lines 24-29) describes the traffic control lights from the stacking area where customers order product to the “open” order stations where the products are delivered. There is crossover traffic from various lanes to various open ordering stations in the Domain patent. Fig. 1 of the Domain patent further exemplifies the traffic cross over

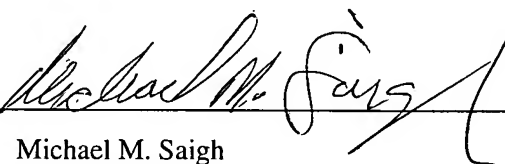
from stacking lanes to open order outlets. Unfortunately, it was determined that vehicle cross over presented possibly dangerous traffic patterns during high-speed drive-thru order fulfillment. In contrast, the present invention does not describe any vehicle crossover, and relies on computer control for traffic flow.

- v) For example, (*Id.*, Column 10, Lines 39-43) describes the goods compellation area as being "centrally" located. The necessity of the centrally located compellation area is a direct result of a two story drive-thru configuration, since the compellation area must be centralized to be in proximity to each vendor and centralized to the many dumbwaiters delivering goods from the second floor to the first floor. The current application does not specify compellation based on vendor location and a two floor configuration. In contrast, the current application's consolidated compilation area is based strictly on delivery to a customer's vehicle (the vehicle location controlled by the computer system) and controlled storage compartmentalization.

The undersigned being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, declares that all statements made of his own knowledge are true; and all statements made on information and belief are believed to be true.

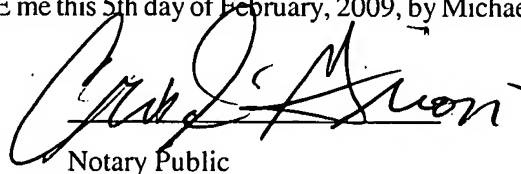
*FURTHER AFFIANT SAYETH NAUGHT*

Executed this 5<sup>th</sup> day of February, 2009.

By:   
Michael M. Saigh

STATE OF NEW MEXICO   )  
  ) §§  
COUNTY OF BERNALILLO )

SUBSCRIBED AND SWORN TO BEFORE me this 5th day of February, 2009, by Michael M. Saigh.

  
Notary Public



My commission expires:  
**CRIS S. GIRON**  
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SAID BUSINESS SCHOOL

"Retailers are no longer passive adoptors of supplier technologies but rather innovators in their own right that are acting as innovation hubs in increasingly retailer-centred supply chains"

*Read Latchezar Hristov on Page 7*

Issue 55 | Autumn 2007

## The European Retail Digest

Oxford Institute of  
Retail Management

## European Retail Digest

The European Retail Digest is the flagship publication of the Oxford Institute of Retail Management (OXIRM), part of the Saïd Business School, University of Oxford. The Institute was established in 1985 to relate sound scholarship to the practical needs of retailers, service companies and public sector agencies. In 1992 it evolved into a European centre for retailing, reflecting the increasingly international nature of its clients and work. OXIRM undertakes management development programmes for companies, conducts research with direct relevance to practitioners, and acts as a centre for education and networking activity.

Published quarterly since 1993, the European Retail Digest provides retail practitioners, analysts and academics with worldwide perspectives and authoritative insights into the retail industry. Drawing on the Institute's global network, it combines articles, interviews, reviews, forecasts and commentaries written by industry experts.

Each edition of the Digest is designed around six key sections, guided by members of the Editorial Board and assisted by a research network. The most recent edition and a full archive of the Digest is available online to subscribers for searching and printing at [www.sbs.ox.ac.uk/erd](http://www.sbs.ox.ac.uk/erd)

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Attachment 1 to Exhibit B  
to Request for Reconsideration of  
December 9, 2008 Office Action

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*"Providing global insights for the retail industry"*

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## New Formats from New Retailers: Breakthrough Concepts from the US

*By Paula Payton, Research Affiliate, Oxford Institute of Retail Management*

Retailers are venturing into new formats in greater numbers than ever, developing new footprints to serve the specific needs of specific customers. In particular, six companies in the US - AutoTram, ING DIRECT Café, Nau, Dashing Diva, Té Casan, and Threadless - have applied fresh, new perspectives to established businesses, from banking to fashion, allowing them to go to market in new and interesting ways.

Many of these 'best-in-class' retailers are acting as agents of change by leading the charge on environmental and financial accountability. They have been the architects of compelling new formats to address the unique needs and desires of their designated consumers. They have developed new models for self-service, experimented with new, customer-facing technologies, and leveraged the recreational aspects of shopping.

These retailers have designed stores according to how their end-users want to shop. And their patrons have responded in kind, reporting that these stores make shopping easier, more enjoyable, and simply better.

### AutoTram

Making the shopping trip convenient, quick and easy continues to be a priority for time-pressed consumers... and a continuing opportunity for retailers. Shoppers' growing need for convenience has propelled the rapid growth of convenience formats. In addition, many retailers have made enhancements to their current stores to make the trip more convenient. These stepwise strides include longer store hours, more parking, wider aisles and more streamlined checkouts. However, much remains to make the shopping trip truly convenient, such as eliminating it altogether.

### World's first drive-thru grocery store

To that end, AutoTram®, a division of parent company AutoCart, represents a new concept in automated shopping. Targeted at customers

stopping to fill their cars with fuel, this drive-thru order and delivery system brings items from the store out to the pump, virtually eliminating the need to enter the store. As AutoTram President Al Jervinsky explains, "...the shopper is stationary and we bring the stores to them, and they can make whatever selection they want".

Called a 'conveyance store', customers enter their order at the pump, which houses a self-serve kiosk and ATM. Once the order is received via touch-screen, desired items are picked and packed by store personnel and then conveyed via a transporter to the car - usually in less than five minutes. Although customers will also be able to place orders remotely by phone or email, most are expected to use the kiosk at the pump.

The parent company, AutoCart, has developed and licensed the proprietary conveyance technology that can be retrofitted inside existing small box stores. Jervinsky terms AutoTram a reverse mall concept "that truly works" following on the heels of earlier concepts that used an unreliable version of the technology. In contrast, AutoTram's transporter technology has been used by McDonald's drive-thrus for over a decade without issue. In theory, this implementation will be faster, and ultimately more convenient, than a drive-thru because of the elimination of lines, along with dual purposing because consumers will already be at the pump, getting fuel. Orders will be picked, packed and delivered in the time it takes to fill the tank. Store staffing is expected to be light, with approximately two pickers per store.

The first transporters are currently being retrofitted into four existing stores of a 130 convenience store chain in the Midwest, due to open in early 2008. These stores will have three islands and 18 delivery points.

### A new way to grab-and-go

Growing numbers of consumers can now claim long working hours and busy lifestyles, and a



shortage of time or energy for the traditional shopping trip - particularly if that means a long wait at checkout. A study from UK consulting firm Conchango (2006) found many shoppers resent having to shop at weekends, with as many as two-thirds of women reporting feeling stressed. Further, it has long been the case in the US that women have shunned the convenience store, due to concerns about safety, cleanliness and overall store experience.

In pre-testing their conveyance concept, AutoTram research indicated that an overwhelming majority of focus group participants liked the concept (92 percent), with equal appeal across age and gender. An almost equally high number (86 percent) did not understand how the conveyance concept would work, but would be keen to use it anyway - signalling how interested shoppers are in any innovation that might improve the shopping trip. Despite AutoTram's wish to appeal to all shoppers, this concept bodes well for moms that shop - particularly mothers who can now leave their kids in their car seats as they have groceries conveyed to the car along with the fuel on the way home from school.

#### A destination conveyance store

The new small box store with a prepared foods focus will feature fresh produce, bakery, ready meals, a DVD rental kiosk and photo centre, along with typical convenience store fare - cold drinks, snacks, coffee, cigarettes and newspapers. The fresh grill and bakery will serve made-to-order menu items, and plans include a gelato bar. Plans are also in the pipeline to include a pharmacy, and some locations will enable customers to pay bills at the pump via a bill payment centre. Small stores, limited SKUs, but with a heavy prepared foods focus makes this an ideal grab-and-go store concept (with a twist) to serve the fill-in shopping needs of consumers.

Continuing interest in creating a more convenient shopping trip is fostering increased experimentation in store concepts, merchandising, and payment systems. Convenience retailing will become a significant force in the future as small

gets big, and conventional convenience store operators will need to adapt and take advantage of this growing trend. These radical new innovations to make the shopping trip truly convenient mean that AutoTram is posed to change the way people think about buying groceries.

#### ING DIRECT bring Café Twist to Banking

Not branches but Internet-enabled cafés, these outlets differentiate ING DIRECT from its competition by offering a down-to-earth, banking experience. Simply put, consumers are appropriately empowered through simple financial products offered in a comfortable, engaging environment.

Dedicated to taking the complexity out of banking, ING DIRECT, an offshoot of ING Groep, focuses on a limited number of savings and loans products. This stands in stark contrast with the dozen or so multi-tiered chequing and savings accounts offered by traditional banks to their customers. ING DIRECT's savings accounts - called by The Today Show in the US "the best savings account in the country" - offer extremely attractive interest rates, require no minimums, and do not incur any fees. Ever. This company is so serious about getting people to save money that the ATM machines in the ING DIRECT cafés are fee-free... even to non-customers. ING DIRECT can afford to waive all fees and offer such high interest rates due to its low overhead, self-service model: most transactions are conducted over the Web or by telephone (and soon mobile access with [Ingdirect.com/m](http://Ingdirect.com/m)) with the exception of the cafés. Since launching in the US in 2000, ING DIRECT has become the United States' largest direct bank, with more than USD77 billion in assets and six million customers.

What is this place anyway? Sip, surf and save  
ING DIRECT operates cafés in downtown areas with high levels of footfall: Chicago, New York, Philadelphia, Los Angeles, and Wilmington, with a new café planned for 2008 in St. Cloud, MN. The cafés use food as a point of entry traffic driver. It is easy (and common) to stumble into the café and not realise that it is a bank. Last year, the cafés



collectively drew 750,000 consumers, according to Midwest Operations Director Bryan Myres.

The purpose of ING DIRECT Cafés is to allow consumers to do their banking. Café patrons are also free to access the Internet at six stations in the café. And, of course, get the best value coffee - Peet's Coffee, in this case, at USD1.50 a cup - in their respective cities. ING DIRECT offers food and beverages at the café at significantly low prices to help people save: Bottled water is a dollar, and complete lunch costs about USD7.

Unlike many of their competitors, direct banks have few opportunities for personal contact, so the cafés make the ING DIRECT brand tangible for customers. The look and feel of each café is tailored to that community. According to Myres, the cafés effectively serve as three dimensional (orange) press kits, so signature branding elements (in the requisite ING DIRECT orange) are present everywhere, from a branded TV network running financial programmes to an orange motorcycle (as their CEO is fond of fuel-efficient motorcycles, in keeping with the ING DIRECT philosophy of saving money). The use of the colour orange creates a bright, upbeat environment. Plasma screens promote ING DIRECT products, as does their ATM machine.

The cafés also have dedicated event space, known as the 'Orange Ball', where visitors attend seminars on a variety of financial topics, such as improving credit scores, or getting beyond living from paycheque to paycheque. Chicago Café Manager Shaun Rowley describes the ING DIRECT role as being an intermediary. However, many of the lectures are offered by

third parties, and they must be pitch free and support the ING DIRECT mission of helping customers improve their financial literacy.

ING DIRECT is also serious about its own events. Rowley and his team recently developed a unique guide to spending a week in one of Chicago's most prestigious neighbourhoods 'on the cheap' entitled 'Save your money in the Gold Coast', which proved to be a hit. According to Head of Corporate Relations, Cathy MacFarlane, ING DIRECT has great plans for financial literacy programmes, many of which will be targeted at schoolteachers. The programmes will range from a facilitated 'Money and Me' programme for parents and children featuring recent winners from an ING DIRECT book-writing contest - Adventures in Savings - to a financial literacy certification programme conducted in partnership with the Federal Deposit Insurance Corporation's MoneySmart Trainers.

#### Barristas as bankers, bankers as barristas

Tellers are 100 percent cross-trained as both barristas and bankers, so consumers can be assured of a good cup of coffee while reviewing mortgage options. The inspiration, according to MacFarlane, for this innovative practice, harkens back to early days of ING DIRECT, soon after they

launched in the Canadian market. As the idea of a purely virtual bank was quite new, within two weeks of opening, curious customers showed up at the corporate offices looking for... something. ING DIRECT President and CEO, Arkadi Kuhlmann welcomed them into the lobby and offered them a cup of coffee. It was several days (and pots of coffee) later that the idea for the cafés took hold.

The company mission statement underscores their philosophy that “we believe saving money should be as simple as having a cup of coffee”. The cross-training results in lower employee turnover, and enables staff to interact with customers more informally than traditional tellers.

While many traditional banks have changed their look and feel by converting their branches into destination points for things other than financial services, because the majority (85 percent) of ING DIRECT operations are conducted online or by telephone, the few cafés that they run are critical touch-points for the public.

The most innovative manifestation of this is the in-store call centres (Orange at Work) staffed by café associates, who rotate in from the floor when the café is not busy, and executives, who rotate in from company headquarters in Wilmington. Given that retail banking is largely the business of selling intangibles, and direct banks rely heavily on a self-service model, the cafés and in-store call centres turn the virtual into the visible.

Overly complex financial service products have created a compelling opportunity for banks such as ING DIRECT to develop innovative solutions for consumers. ING DIRECT Cafés bring simplicity back to banking with fee-free, no minimum and paperless banking. ING DIRECT Cafés bring transparency to their organisation by allowing shoppers to see their business model in action by virtue of an in-store call centre. And finally, ING DIRECT Cafés empower, educate and ultimately train consumers to be better savers, reflected in the words of one Chicago patron who “... never thought I would learn so much about saving... at a coffee shop”.

## Future Retail, Nau

2007 was a landmark year for conservation and sustainability, with many companies jumping on the green bandwagon. However, few are as interesting than Nau, who are “looking to do more than make clothes” and are instead working to “demonstrate the highest level of citizenship in everything [they] do: product creation, production, labour practices, the way we treat each other, environmental practices and philanthropy”.

Headquartered in Portland, Oregon, this socially-driven outdoor clothing company has created a new retail format (a WebFront) that incorporates elements of the online shopping experience in-store. Nau currently has four WebFronts (Boulder, Portland, Bellevue and Chicago), with plans to open stores in major cities - perhaps as many as 15 in 2008. Targeting athletes, artists and activists (and other advocates attracted to buying environmentally friendly products from socially responsible businesses) these small stores are refreshingly spare, offering a unique blend of technology, fashion and sustainability.

The stores introduce an innovative ordering process for shoppers with far-reaching effects on Nau's inventory management and supply chain practices. One sample of every piece in the collection in every size is available for shoppers to try. Streamlining product assortment and presentation makes the store easier to shop. Shoppers can see what they want and little that they do not want. Digital screens - Knowledge Trees - throughout the store are activated by bar-coded product tags. Complete product information, including detailed instructions for care, are available using these scan cards.

The premise of the WebFront lies in a seamless multi-channel experience that encourages customers to have Nau product shipped directly to them from a warehouse. While shoppers can try on clothes, they are encouraged to finalise their purchases using special ‘Ship to You’ kiosks in-store. Those who opt to have their purchases shipped (free) to their home receive a ten percent discount on the item. Nau's ‘Ship to You’

programme has exceeded their management's expectations: while they originally projected that 20 percent of their customers would adopt the service, well over half of customers do - and with great enthusiasm. Many come back to the store to demonstrate and advocate the technology to fellow shoppers. Of course, Nau customers can also opt-out and carry their purchases home with them, if they cannot bear delayed gratification. For Nau, this means a smaller footprint (no more than 2,400 square feet, which consumes less energy), reduced operating expenses (less than one-sixteenth) and a streamlined supply chain that funds the considerable charitable contributions that are core to its model. Finally, the stores utilise energy efficient lighting, renewable energy credits and reclaimed or recycled building materials. The store design embodies natural elements including recycled leather in the dressing room and store walls that are reminiscent of a canyon.

At the back of each store lies The Giving Wall: two touch screens showcasing ten not-for-profit organisations (six of which are local) that represent environmental, social or humanitarian causes, such as Heifer International ([www.heifer.org](http://www.heifer.org)) and Kiva ([www.kiva.org](http://www.kiva.org)). These 'partners for change' receive five percent of all Nau sales. During their purchase, customers are allowed to designate one of these partners as a charitable beneficiary. Shoppers can learn about Nau's partners through detailed documentaries that run continuously on the touch screens. This five percent contribution sets a new industry standard. Until now, Patagonia has held the philanthropic title with its contribution of one percent of all sales.

### Changing the world, one biopolymer fabric at a time

Embedded in the philosophy of this green clothing company is that designing high performance, high fashion clothing encourages consumers to buy fewer, more versatile and longer-lasting garments and allows the user to move through the range of environments in their lives, from wild to urban. Creating outdoor couture that subscribes to three,

higher-order principles required Nau to create something new.

To accommodate this perfect storm of high-tech performance, beauty, and sustainability involved collaborating with textile suppliers in new ways to create new lines. According to Nau, 27 of the 32 fabrics in their clothing lines were developed specifically for them, although they encourage other companies - even competitors - to use the new fabrics. Nau uses recyclable, renewable fabrics, rather than the petroleum-based materials that constitute much of the nylon and polyester seen in today's outdoor garments. Their commitment includes 100 percent certified organic cotton and wool from 'happy sheep', and recyclable renewable resources.

Nau means 'welcome; come in' in Maori. Their model of conscientious commerce and WebFront retail fulfils their mission of "...stirring the pot" largely by enabling shoppers to make some interesting decisions that they don't ordinarily come across in the service of buying clothes. Nau has succeeded in making the shopping experience feel good in a way that most retail does not. By applying new perspectives to established ways of doing business, this innovative retailer is strengthening its competitive position, elevating the customer experience and creating change.

### Dashing Diva

The social dynamics of the shopping experience are beginning to receive greater attention as retailers work to leverage the recreational aspects of shopping. There are a variety of hypotheses regarding why shoppers enjoy perusing merchandise in tandem (Cox *et al.*, 2005). In general, they prefer to simultaneously shop and socialise. Forward-thinking retailers are creating a shopping experience that enables the intersection, then interaction, of like-minded enthusiasts within a similar social network.

Standing out like a well-manicured thumb against a sea (59,000, at last count) of 'mom and pop' operators in the US alone, Dashing Diva is the first chain of branded nail salons with locations in

the US, Japan, Singapore, Philippines, Kuwait and Australia, and a Shanghai salon opening in 2008. By focusing on variety (for example, 150 nail polish colours), innovative new products (for example their Virtual Nails™), and most importantly, customer experience, Dashing Diva is pioneering a new approach to nail care.

*"We're challenging the nature of capitalism. We believed every single operational element in our business was an opportunity to turn traditional business notions inside out - integrating environmental, social, and economic factors. Nau represents a new form of activism: business activism." Nau Chief Executive Officer, Chris Van Dyke*

#### Cosmopolitan beauty bar: Sex and the city move over

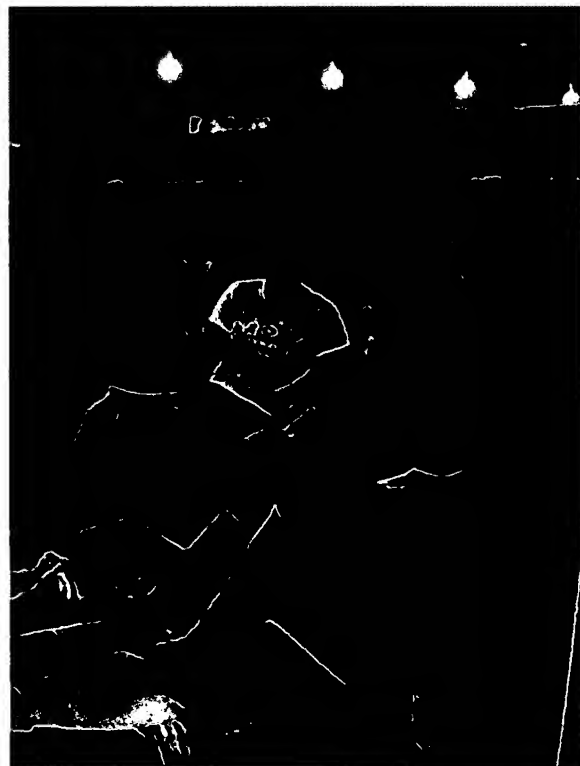
Raising the bar in the nail salon experience consists of a three-pronged approach. For starters, Dashing Diva has created a new standard of hygiene and sanitation for their patrons by using autoclaving (a dental sterilisation technique) to clean manicure and pedicure instruments. Dashing Diva uses ceramic sinks rather than whirlpool footbaths, which are easier to clean. Finally, customers are required to bring their own nail files and buffers or purchase a (new) set, which can be stored at the salon or taken home.

Customers are appreciative of the fact that this particular chain cuts no corners when it comes to hygiene. One patron commented "I used to go to a salon and get a manicure/pedicure for 20 dollars, but it was dirty. Here, it's clean and cute, I know exactly what I'm getting". Dashing Diva recently announced their salons would use the same disinfectant used to prevent e-coli outbreaks and the SARS epidemic.

Second, the in-store environment has been designed to facilitate socialising, providing a venue where customers can relax and unwind with friends. Dashing Diva's signature 'girls night

'out' event held every Thursday and Friday evenings (5 - 9 pm) in the Pink Pedicure Lounge includes free pink cosmopolitan drinks. This beauty ritual in the style of 'Sex and the City' blends cocktails, pedicures, music and conversation into a perfect pink storm that has met with enthusiasm from patrons. "I often meet my girlfriends at Dashing Diva after work to get a 'spoiled' pedicure and the free cosmos, which are delicious. It's a perfect start for an evening out on the town". The pink and plush branded environment also make it the perfect venue for birthdays and bridal parties. The company attributes their business results to their in-store experience - their best New York locations do triple the revenue of nail salons in the city of a similar size.

Proprietary products such as Virtual Nails claim a breakthrough technology that allows them to be applied faster, and less expensively, than traditional acrylics. Targeted to nail biters and nail abusers, these personally fitted nails do not use any chemicals, do not damage the natural nail



bed, and claim to be long-lasting, able to withstand the onslaught of mobile phones and keyboards. Dashing Diva has recently launched a similar innovation in eyelashes. These 'Virtual Lashes' are glued one-by-one to each natural lash (rather than eyelids) using a painless, harmless procedure that will not harm or irritate the eyelids or eyelashes. Virtual lashes are water-resistant and tolerate exercise, sweat, and tears.

Dashing Diva's polished approach - superior beauty products, uncompromising hygiene, and focus on customer experience - is an innovative, new entry in the saturated market of neighbourhood nail salons. Importantly, they have used safe, healthy products and distinctive salon design to forge stronger relationships with their customers, who feel socialising should be a central component of the beauty ritual.

### Té Casan

Té Casan is a department store for shoes in Manhattan featuring limited edition speciality footwear in a distinctive shopping environment. The three-level store was designed as a retreat for women, and includes a tea bar and private fitting booths. The flagship store in Soho, New York opened November 2006, and Té Casan leadership has announced plans for future store locations in major markets across the world.

At 5,500 square feet, the store has a sure-fire formula for success: The shoes are ever-changing, the price-points perfect, and there is enough diversity to keep even the most scrutinising shoe lover happy. Seven different designers (based in Barcelona, for design inspiration) are required to generate new shoe designs every week for Té Casan. Every shoe in the store is a limited edition, a short run of no more than 74 pairs. These two elements in tandem ensure steady foot traffic to the store, and a new experience to delight shoppers.

The concept hinges on affordable luxury. Since each hand-crafted shoe is numbered and worn by no more than 73 other women on the planet, this guarantees exclusivity for the true shoe

aficionado. Impressively, the one-of-a-kind shoes - described as "very elegant, well-made shoes with attention to detail" by one shopper - are offered at reasonable price points (USD240, as opposed to USD400 or higher, for a custom shoe). The shoes also come in distinctive packaging, with shoes enveloped in linen-like tissue paper, placed in collapsible shoeboxes with photographs of the shoes on the outside of each box. Shopping bags feature the shoe designers in a unique way that makes an impact.

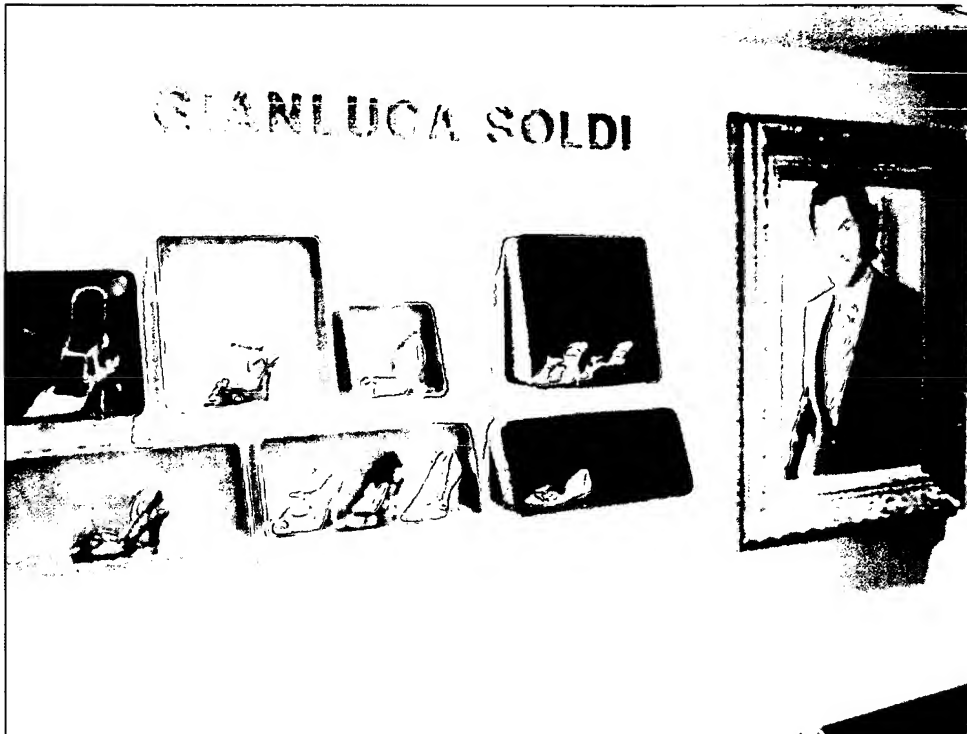
### Love me, love my shoes: ties that bind

As many of the designers are not well-known, a clever part of Té Casan's strategy lies in personalising them in interesting ways. Each designer has his or her in-store boutique, featuring merchandise presented in vitrines as well as a large photograph and biographical details of the designer. The story behind the creation and inspiration of each bespoke shoe often appears. Designers often make visits to the store and consequently, customers get to know the designer in intimate ways and discover common ties that connect them.

Té Casan understands how shoppers derive pleasure from a well-designed retail environment. In-store design elements such as skylights, windows, crystal staircase and chandeliers work together to lead the shopper through the multi-level store, on their shoe-shopping journey. One shopper commented, "... this boutique is like a maze, and I mean that in a good way: each floor you go to is like discovering some work of art, and not something to be worn".

### Changing rooms... for shoes

Towards that end, two social pods in the store accommodate groups of women who wish to try on shoes together. The pods provide privacy, but also a feeling of exclusivity... "your own gazebo with tea served while you try on shoes" one shopper said. In essence, Té Casan improves the shoe shopping experience by increasing enjoyment. The entire store environment advocates and facilitates customer interaction during product selection. With the addition of the pods, Té Casan has taken



The crowd-sourced business model is simple: each week, designers submit original T-shirt designs online, with four to six designs ultimately selected for printing among 1,000 or more submissions. The most popular designs, decided by the online community using a simple scoring system, receive USD2,000 in

the shoe shopping experience to another level, allowing customers to interact in interesting ways.

Té Casan (Gaelic for 'a woman's path') has created a format that ensures that Manhattan shoe shoppers beat a path to its door by offering leading-edge store design and limited edition products. Critical to this footwear brand's success is the interesting use of brand stories that act as pivots to drive interactions with their customers and stakeholders. It is what makes their customers want to connect with their designers. It is what makes their customers change "I need a new pair of shoes" into "I want that new pair of shoes".

### Threadless

Threadless, the community fashion company for amateur designers has opened its first store in Chicago. Two designers, Jake Nickell and Jacob DeHart, developed the concept nearly eight years ago to empower and connect the design community. Today, the Threadless community has around 500,000 registered users and sales of nearly USD17 million for these original T-shirt designs.

cash along with USD500 in credit, of which USD250 that can also be redeemed for cash. New T-shirt designs and some reprinted designs are released every Monday, ranging in price from USD12-40. Founders Nickell and DeHart launched Threadless to "give artists a level playing field for a fair chance of having their idea become a printed tee, regardless of experience or professional status".

The e-commerce/Web design company's store allows them to tell the story behind the product designs, as well as show customers information on the designers and how the T-shirts are created, scored and selected for print - something that would be completely lost in a traditional retail environment. Of course, the store allows them to get their concept in front of new customers, who might not be aware of the Website. Given online sales tracking, additional stores will be easy to open in markets where there are sufficient customers. Plans for future stores in markets known for art or design communities are in the pipeline. Threadless also plans on opening a store specifically for youth or kids' tees.

### Put your face in the window

Like the Website, the 1,700 square foot store changes often. At any one time, there are no more than 20 designs for sale, modelled by customers in continuously refreshed snapshots on flat-screens, atop the product and in the store window. Customers can take shots of themselves modelling recent designs in an in-store photo booth.

T-shirt designs in the store are available for two weeks. Rather than the full catalogue of designs available on the Website, the store has simplified the product offering, and optimised the product presentation. Each (of the 20) designs enjoys a dedicated area, complete with photographs taken by devotees wearing the product, and Website comments on the design. The designs for sale change weekly, as does the store window.

The store is both retail outlet and gallery. The ground floor presents the winning designs, but the second floor serves as a gallery/community centre for the amateur artists who create the products.

The community centre enables Threadless to host events for like-minded enthusiasts, such as design classes or even a submission workshop, led by designers with winning designs. The events are often timed around the new T-shirt launches each week. And all designers are invited to work in the gallery space upstairs.

Clearly, the store fulfils needs that the Website cannot. First, new designs are launched several days before their Website release: Friday, rather than Monday. So avid T-shirt collectors (in Chicago, anyway) can get their newest fashion fix before anyone else. And on that note, shoppers will be able to walk away with their desired T-shirt that day, rather than wait for its delivery. And

walk away with their T-shirt in an innovative, reusable, recyclable bag that acts as a coupon. Future visits to the store - with the bag, of course - are rewarded with a dollar discount.

As many companies struggle to find meaningful ways to integrate and engage the customer into their business models, Threadless is at the forefront of innovation by making end-user customisation a sustainable and profitable business model. By using its customer base for research, development and design, Threadless has created a clever new model of fast fashion with competitive advantage.

*"We don't want to push our brand on the community, we want the store to be a community centre. We want people to hang out, learn something, appreciate art, and hopefully, buy something." - Jake Nickell, Threadless founder*

### New Standards in Customer Relevance

To stay competitive, retailers must find new ways of reaching and engaging their customers. Towards that end, a small band of forward-thinking, new retailers have created innovative stores that capture the imagination and the loyalty of their shoppers. ING DIRECT, AutoTram and Nau reintroduce simplicity and convenience into their shoppers' lives; Dashing Diva, Té Casan and Threadless create spaces for communities to gather and achieve social connection. By addressing the specific needs of their specific customers, these six companies set new standards in customer-relevant innovation.

### References

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